



GARY R. HERBERT
Governor

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Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

FILED

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SECRETARY, BOARD OF
OIL, GAS & MINING

June 14, 2011

TO: The Board of Oil, Gas and Mining

FROM: John Rogers, Associate Director, Oil and Gas
Dustin Doucet, Petroleum Engineer *DD*
Clinton Dworshak, Compliance Manager, Geologist *CD*

RE: Staff Memorandum to the Board for Docket No. 2011-011, Cause No. 272-02

The Division of Oil, Gas and Mining ("the Division") has reviewed evidence submitted to the Board of Oil, Gas and Mining ("the Board") in preparation for the June 22, 2011, hearing before the Board. With this memorandum, the Division summarizes its review and evaluation of submitted documents. Both the original Request for Agency Action (RAA) and exhibits prepared by the petitioner have been timely pre-filed with the Board.

Summary of Request for Agency Action

Berry Petroleum Company ("Berry"), with legal representation by Mr. A. John Davis and Mr. Mark Burghardt of Holland & Hart, LLP Law Firm is requesting an order force pooling the interest of all owners refusing or failing to bear their proportionate share of the costs of drilling and producing operations located in the SW1/4SE1/4, NW1/4SW1/4, and the S1/2SW1/4 of Section 10, Township 5 South, Range 4 West, USM, Duchesne County, Utah ("Subject Lands").

Land Review

The mineral interest in the Subject Lands is privately (fee) held. Berry has leased 73.28732% of the total mineral interest in the Subject Lands. The remaining 26.71268% mineral interest belongs to non-consenting and unlocatable owners.

Berry should give testimony at the hearing describing their written notice to the non-consent owners for an opportunity to lease or participate in the SFW FEE 14-10-54 and proposed SFW FEE 14-10D-54 wells. Berry should also give testimony at the hearing describing their good faith effort to contact the unlocatable owners.

The Subject Lands have been spaced under Cause No. 272-01 establishing 40-acre drilling and spacing units for the Green River Formation.



Submitted Exhibits

Berry submitted a Location Map, Area of Interest Map, Leased Area Map, Average Weighted Landowner Royalty Report and Proposed Operating Agreement. Berry should give testimony at the hearing describing these exhibits and how they are relevant to this matter.

Points to Consider

Berry is the operator of the SFW FEE 15-10-54 well completed, May 2010, in the Green River Formation in the Subject Lands.

Berry proposes to drill the SFW FEE 14-10D-54 well in the Subject Lands.

Berry requests the order be effective from first date of production. The Board may make a pooling order effective from first production if spacing was effective when production commenced.

Berry requests a 300% non-consent penalty for the Subject Lands. Berry should give testimony at the hearing supporting the request and show that the request is fair and reasonable.

Berry should submit an AFE so the Division and Board may determine if the proposed well costs are just and reasonable. The AFE should include the estimated cost to plug and abandon the well.

Berry has calculated an average weighted landowner royalty of 14.579698% for the Subject Lands.

Note: Page 5, paragraph 14, line 3 of the RAA may have an error. Should the interest be 26.71268% instead of 22.71268%?

Staff Recommendation

The staff has reviewed the submitted Request and exhibits and finds no issues other than those outlined in this memo. The Division will participate in the hearing, listen to testimony given, and ask any questions if necessary for clarification. Upon Berry's testimony further supporting the proposal and no unforeseen issues, the Division would recommend approval of the Request.

CERTIFICATE OF SERVICE


I hereby certify that I caused a true and correct copy of the foregoing STAFF MEMORANDUM for Docket No. 2011-11, Cause No. 272-02 to be mailed with postage prepaid, this 21st day of June, 2011, to the following:

A. John Davis
Mark L. Burghardt
Attorneys for Berry Petroleum
Holland & Hart, LLP
222 South Main Street, Suite 2200
Salt Lake City, UT 84101
(Via Email)

Michael S. Johnson
Assistant Attorneys General
Utah Board of Oil, Gas & Mining
1594 West North Temple, Suite 300
Salt Lake City, UT 84116
(Via Email)

Steven F. Alder
Assistant Attorneys General
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 300
Salt Lake City, UT 84116
(Via Email)

Paul Lehrman
P O Box 2329
Farmington, NM 87499
(Via Email)

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